

GME NEWSLETTER – The new issue has been published

Rome 12 August 2021 – The new issue of the Gestore dei Mercati Energetici (GME) newsletter is online, downloadable from the website www.mercatoelettrico.org.

The newsletter opens with a comment by Chiara Proietti Silvestri of the RIE on the data of the BP Statistical Review concerning last year. *"2020 will be remembered for the impacts on people's daily lives and for the aftermath on the world economy. World GDP suffered a decline of 3.2% - which for the Euro area worsened to -6.5% and for Italy to -8.9% -; world trade contracted by 8.5% and all sectors, except those related to health, suffered huge losses with a sharp rise in the unemployment rate - began the RIE analyst -. The containment measures, which minimised travel and closed numerous commercial activities, as well as negatively impacting on the performance of the economy, could only produce a cascade effect on the energy markets"*.

In fact, on the energy demand front, *"a reduction of 4.5% on 2019, the most significant since the Second World War"* was recorded, underlined Proietti Silvestri who also recalled the collapse of consumption in the European Union *"of 8.5% compared to the average annual decline of 0.3% of the previous decade"*. A collapse that, however, specified the RIE researcher, *"did not produce an acceleration in the improvements in energy intensity (energy/output), but a slowdown due to the negative performance of the world economy"*.

On the energy sources front, 2020 instead saw *"an acceleration of the erosion of the oil share and fossil fuels in general in the context of the advancement of renewables in the global energy mix - explained Proietti Silvestri -; even gas and coal recorded a decline, albeit more contained than oil. In terms of market share level, oil always shows the worst performance while remaining the first source of energy. Its weight fell to 31% (-2 pp on 2019), while gas rose by one point to 25% and coal remained stable at 27%. The new renewables, instead, rose by one point to 6%. However, it remains to be noted that this penetration process, although structural, is slow in its evolution, as for all cycles of replacement of energy sources: 83% of world energy demand is still covered by fossils"*, noted the RIE analyst, adding that in terms of emissions 2020 recorded a drop (-6%), *"as for primary demand, which brought them back to the level of ten years earlier, settling at 32 billion tons. The most important decline since the Second World War to date"* is the result, however, *"not of precise industrial policies but of an extraordinary situation"*.



"Ultimately, the evolution of the energy transition in the post-pandemic will depend on how countries decide to set up the economic recovery; currently, the signs do not seem to play in favour of a new course compared to the past. Energy consumption in 2021 is expected to increase and the same is expected for emissions - concluded Proietti Silvestri -. Europe, with the Commission's recent proposals on the European Green Deal 'Fit-for-55', appears to be alone in the fight to reduce emissions and its contribution risks not being effective in relation to the extraordinary burdens that this new policy requires from the industrial sector and European consumers. In order for these efforts not to be in vain - she added -, the commitment of Brussels to accelerate the energy transition in view of greater sustainability of production processes must, should, go hand in hand with an agreement at international level. Only a shared fight against climate change can give the hoped-for success and in the times dictated by science"

The new issue also includes the usual technical comments relating to the national and European electricity and environmental markets and exchanges, the section dedicated to the analysis of the trends in the Italian gas market and the analysis section on the trends in Europe, which explores the trends on the main European commodities markets.

The new GME publication also reports, as is now customary, the summary data of the electricity market for the month of July 2021.

Gestore dei Mercati Energetici S.p.A.

Governance Department

Tel. +39 06 8012 4549

Fax. +39 06 8012 4519

governance@mercatoelettrico.org

www.mercatoelettrico.org